Order 2004-6-14

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the **18th day of June, 2004**

Essential air service at **BECKLEY, WEST VIRGINIA** **BLUEFIELD/PRINCETON, WEST VIRGINIA** under 49 U.S.C. 41731 *et seq.*	**Served: June 23, 2004** **Docket OST-1997-2761**

ORDER SELECTING CARRIER AND ESTABLISHING SUBSIDY RATE

Summary
By this order, the Department is selecting Colgan Air, Inc., d/b/a US Airways Express, to continue providing essential air service at Beckley and Bluefield/Princeton, West Virginia, for the two-year period beginning August 1, 2004, at an annual subsidy of $2,017,064.

Background
By Orders 2002-4-25, April 29, 2002, and 2002-10-34, October 28, 2002, the Department selected Colgan to provide subsidized essential air service at Beckley and Bluefield for the two-year period through July 31, 2004, by operating 18 nonstop or one-stop round trips a week to either Pittsburgh or Washington's Dulles International Airport with 19-seat Beech 1900 aircraft at a subsidy of $2,067,693 annually.[1]

As the end of the rate term approached, the Department issued Order 2004-4-13, April 20, 2004, requesting proposals from carriers interested in providing service at the communities, with or without subsidy, for the two-year period beginning August 1, 2004.

Carrier Proposals
In response to our request, we have received proposals from three carriers: from Colgan, from Corporate Airlines, Inc., and from Mesa Air Group, Inc., on behalf of its subsidiary, Air Midwest, Inc.

Colgan's proposal contains five options, based on service with 19-seat Beech 1900 aircraft. Option A offers 18 round trips a week from the two communities to Pittsburgh at an annual subsidy of $1,968,936; Option B offers 18 round trips a week to Washington's Dulles

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[1] See Appendix A for a map. Under the terms of its selection, Colgan has been permitted to operate one round trip each weekday to Charlotte rather than Pittsburgh or Dulles. In practice, however, Colgan has continued to operate all of the communities' service to Pittsburgh.

International Airport at an annual subsidy of $1,967,715; Option C offers 18 round trips a week to Charlotte at an annual subsidy of $1,916,880; Option D offers 12 nonstop round trips a week to Charlotte plus 6 to Columbus at an annual subsidy of $1,986,292; and Option E offers 12 round trips a week to Dulles plus 6 to Columbus at an annual subsidy of $2,017,064.

Corporate Airlines' proposal contains two options, based on service with 19-seat Jetstream 32 aircraft. Under the first option, Corporate would operate 18 round trips a week from the two communities to Cincinnati at an annual subsidy of $2,042,822. Under the second, Corporate would operate 18 round trips a week to Raleigh/Durham at an annual subsidy of $1,888,858.

Mesa/Air Midwest's proposal contains four options, based on service with 19-seat Beech 1900 aircraft. Option 1 proposes 18 round trips a week from the two communities to Pittsburgh at an annual subsidy of $2,271,804; Option 2 proposes 12 round trips a week to Pittsburgh at an annual subsidy of $1,522,641; Option 3 proposes 12 round trips a week to Pittsburgh plus 6 to Dulles at an annual subsidy of $2,428,188; and Option 4 proposes 6 round trips a week to Pittsburgh plus 12 to Dulles at an annual subsidy of $2,422,855.[2]

Community Comments

In separate letters dated June 3 on behalf of the Beckley community, the Mayor of Beckley and the Raleigh County Memorial Airport Manager state that the community's first choice is Colgan's Option D, and that its second choice is Colgan's Option E. In a letter dated June 9 on behalf of the Bluefield/Princeton community, the Mercer County Airport Authority states that its first choice is Colgan's Option C, and that its second choice is Colgan's Option E.

Decision

After a thorough review of the three carriers' proposals and both communities' comments, we have decided to select Colgan's Option E for the new two-year period. Our decision is consistent with the communities' preferences, Colgan's proposed rate is reasonable for the service at issue, and Colgan's performance continues to be satisfactory.

In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (a) service reliability; (b) contractual and marketing arrangements with a larger carrier at the hub; (c) interline arrangements with a larger carrier at the hub; and (d) community views. In addition, we have always given weight to the applicants' relative subsidy requirements.

All three applicants have considerable experience providing scheduled service and with the essential air service program specifically, and all three have code-share and interline agreements with larger carriers, though in each applicant's case the value of those code-share alliances varies according to the hubs involved in the various options.

Our consideration can therefore be narrowed to the issues of community support and relative subsidy requirements. Both communities clearly support Colgan, the incumbent. The communities disagree as to their first choice among Colgan's options. However, both Options C and D involve service to Charlotte, and Colgan's proposal states that "service to Charlotte,

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[2] The carriers' proposals are contained in full in the docket.

[Dulles] and Columbus is subject to the approval of US Airways in order to be operated using the US Airways code." Colgan has informed us that US Airways is not prepared to allow it to operate as a US Airways code-share partner from the communities to Charlotte. Consequently, Colgan's options involving Charlotte are not viable alternatives.

On the other hand, the communities agree on Colgan's Option E, which proposes 12 round trips to Dulles and 6 to Columbus, as their second choice, and Colgan has informed us that US Airways has agreed to Colgan's operating as a code-share partner from the communities to both Dulles and Columbus. Thus, from the communities' perspective, Option E emerges as the best viable alternative.

The subsidy requirement for Option E is $2,017,064 a year. That amount is about $50,000 a year more than Colgan's Options A and B, which represent the carrier's other viable options in that they do not involve any service to Charlotte. It is about $130,000 a year more than the less expensive of Corporate's two options, which has no support, and it is less than all but one of Mesa/Air Midwest's options, which also have no support.[3] We would particularly note, however, that Colgan's subsidy requirement is about $50,000 a year below the current subsidy rate, and we have concluded that we can here accede to the communities' preference since the result will reduce overall program spending.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found Colgan fit by Order 2004-2-8, February 9, 2004, in connection with its essential air service at Staunton, Virginia. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Colgan continues to have available adequate financial and managerial resources to provide quality service at the communities at issue here, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Colgan remains fit.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We select Colgan Air, Inc., d/b/a US Airways Express, to provide essential air service at Beckley and Bluefield/Princeton, West Virginia, as described in Appendix B, for the period from August 1, 2004, through July 31, 2006;

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[3] Mesa/Air Midwest's Option 2 is easily the least expensive of all the carriers' options. However, it proposes just 12 round trips a week, or two round trips six days a week. Two round trips a day on 19-seat aircraft provide just 38 seats in each direction, thus falling well short of the communities' statutory seating requirements. As we noted in Order 2004-4-13, Beckley is entitled to 46 seats and Bluefield/Princeton to 42 seats.

2. We set the final rate of compensation for Colgan Air, Inc., d/b/a US Airways Express, for the provision of essential air service at Beckley and Bluefield/Princeton, West Virginia, as described in Appendix B, for the period from August 1, 2004, through July 31, 2006, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by $555.36;[4]

3. We direct Colgan Air, Inc., d/b/a US Airways Express, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

4. We find that Colgan Air, Inc., d/b/a US Airways Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Beckley and Bluefield/Princeton, West Virginia;

5. This docket will remain open until further order of the Department; and

6. We will serve copies of this order on the mayors and airport managers of Beckley and Bluefield/Princeton, West Virginia; Colgan Air, Inc., d/b/a US Airways Express; Corporate Airlines, Inc.; and Mesa Air Group, Inc.

By:

KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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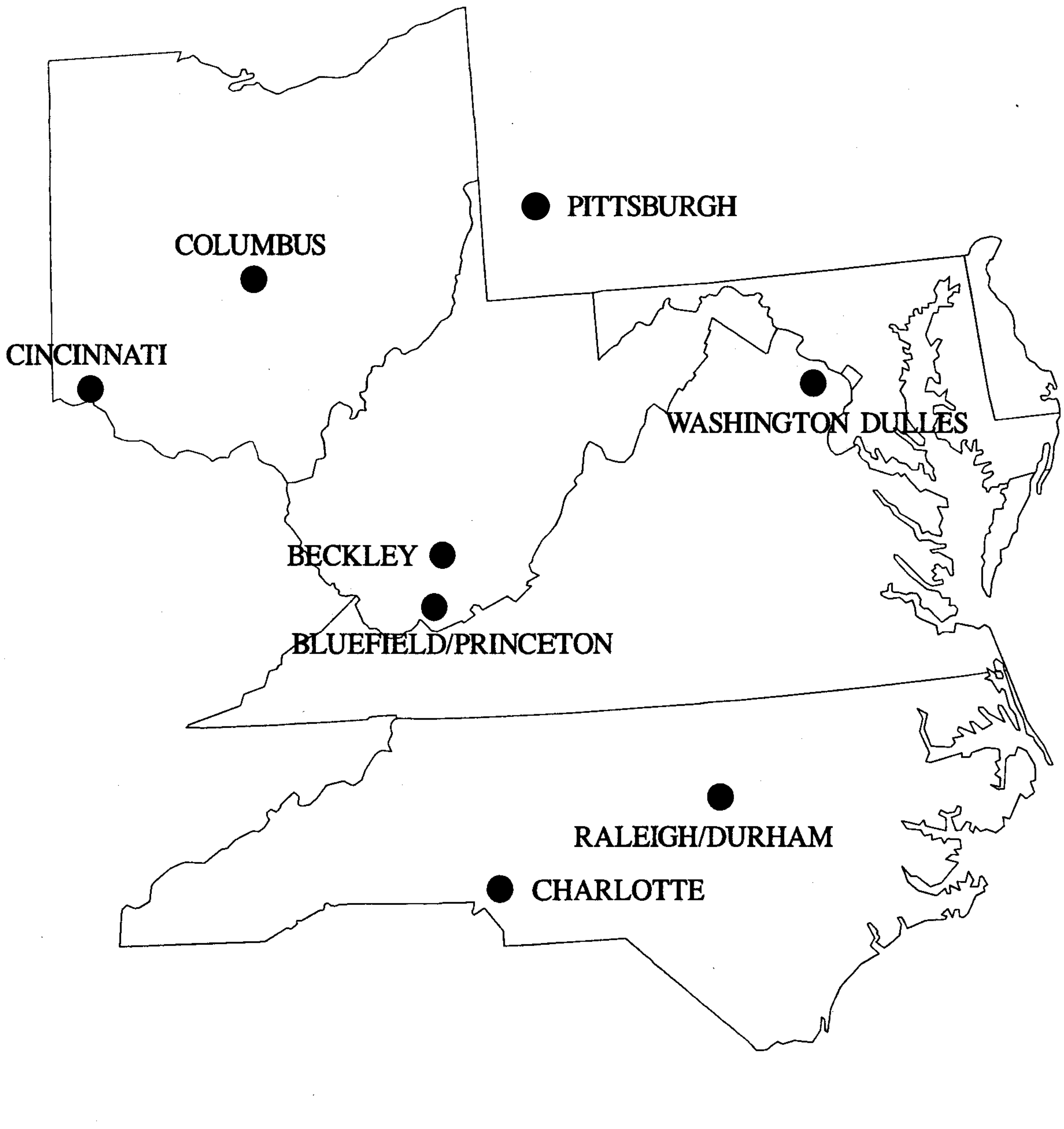
[4] See Appendix B for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

APPENDIX A

BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA



COLGAN AIR, INC., d/b/a US AIRWAYS EXPRESS
ESSENTIAL AIR SERVICE AT
BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA

EFFECTIVE PERIOD	August 1, 2004, through July 31, 2006
SERVICE	12 nonstop or one-stop round trips to Washington Dulles International Airport and 6 nonstop or one-stop round trips to Columbus each week.
AIRCRAFT TYPE	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	$555.36 1/
COMPENSATION CEILING EACH WEEK	$39,985.92 2/

1/ Annual compensation of $2,017,064 divided by 3,632 annual arrivals and departures at a 97 percent completion factor, calculated as follows: 72 dpts x 52 weeks x .97 = 3,632.
2/ Subsidy rate per arrival/departure of $555.36 multiplied by 72 subsidy-eligible arrivals and departures each week.

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on the routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this agreement, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.